

# TRIGON

Thomas G. Sneed, Jr.  
Chairman of the Board and  
Chief Executive Officer

June 26, 2001

Mr. William L. Jews  
President and Chief Executive Officer  
CareFirst Blue Cross Blue Shield  
10455 Mill Run Circle  
Owings Mills, Maryland 21117

Dear Bill:

Further to our letter of June 22, 2001, in which we outlined our views on a variety of "contract" points that remained open, it is now appropriate to move the dialogue forward on how, in a CareFirst/Trigon combination, we might best clarify our respective roles and the structure and location of operations. Accordingly, this letter is intended to frame my thoughts on the list of open "social" issues that you and I must work together to resolve. Working unilaterally, we have felt doomed to failure in our efforts to develop and convey an optimal solution to these important issues. Many versions of this letter fell short of the task. We ultimately concluded that a meeting between two CEO's, with their surrogates, was the best way to find the right answer. We hope your review of the thoughts in this letter will make you sufficiently comfortable that we are on the right track such that you too will feel it appropriate to meet. In person together, we can take our collective best shot at developing a mutually agreeable resolution to all outstanding concerns.

Based on our discussions and those of our advisors, I believe there are three key issues that should be addressed:

- Your role in the combined operation, so that it is clear each of us has a "real" role in the on-going super-regional Blue we are creating
- How we create an operating and management structure that allows us to effectively integrate the two businesses and not end up running two separate companies side by side
- Headquarters location and operating presence in Maryland and Virginia

## Your Role in CareFirst/Trigon

We fundamentally believe that CareFirst and Trigon are natural strategic partners. For the potential benefits of this combination to be realized however, we both must be involved and motivated to make the obvious advantages of the merger take hold. I see three distinct roles for you in the combined enterprise and would like to develop them in our discussions.

OCC 009150

2015 Staples Mill Road • Post Office Box 27401 • Richmond, Virginia 23279 • 804-354-3510 • Fax 804-354-3115  
Trigon Blue Cross Blue Shield is the trade name of Trigon Insurance Company • An Independent Licensor of the Blue Cross and Blue Shield Association

Mr. William L. Jews  
June 26, 2001  
Page 2

As Chairman of the Board of Directors of the public company, the responsibility of Board management would fall to you. This role not only includes arranging the timing and locations for Board meetings, but, more importantly, includes keeping the Board apprised of activities, seeking their input and managing their expectations. This has been a big responsibility for me; the Trigon Board has been deeply engaged, and given the importance of this transaction, I would expect their appetite for a detailed understanding of operations and strategy to continue. The combined Board will, of course, be bigger and their support requirements more extensive. The Chairman of a multi-billion dollar public company undergoing a major business combination has a "real" role in the organization.

Further, Strategic Development would report directly to you. I see this as a major role, responsible for directing the future growth of the Company. In this volatile environment, a higher level of vigilance is required to sense the shifts in the expectations and power of the forces that shape our industry. Accordingly it is ever more difficult to set a direction that addresses not only current problems but future growth. This entails not only issues of product, service and regulatory strategy, but of corporate development, as well. Beyond the internal aspects of strategic development, I spend considerable time courting Blue and non-Blue transactions, and analyzing and reviewing potential strategic partners. I believe that even prior to closing our transaction, we may begin working on several other major opportunities. This role is a full time job in and of itself, and I can only see it becoming even more important when together.

Finally, you will be my Operating Partner. While I will function as CEO of operations overall, you will continue with day-to-day responsibility for Maryland, Delaware, DC and the Northern Virginia/DC corridor market (The market which in large part explains why we should do this deal in the first place.)

It is indeed possible for us to get hung up here in circular questions about who reports to whom. As CEO of "CareFirst/Trigon North", do you report to me as CEO of all operations? And do I as CEO report to you as Chairman of the Board? The reality is that we will both report to and be employed by the Board at large (subject to the terms of appropriate employment contracts). The further reality is that we will need to treat each other as operating partners. Otherwise, the risks to both of us individually and our organizations collectively are too great.

#### Operating and Management Structure

It should be our objective to integrate CareFirst and Trigon to the advantage of all our customers, providers and employees in the regions we cover. As businessmen, we should guard against a long-term plan to run two distinct businesses side-by-side. That is our challenge. I do not pretend to have the answer today on what may be the best integration strategy. We must develop it together. My proposal on how we work to develop our plans to integrate is straightforward.

OCC 009151

Mr. William L. Jews

June 26, 2001

Page 3

I propose that we set up an Executive Management Committee. This Committee will have two members: you and me. It will report directly to the Board. We will be jointly responsible for creating the new management structure and deciding who should fill key roles. We have always agreed that we should pick the best of both organizations. I am sure that there will be opportunities for both Trigon and CareFirst management. (Please also recall our affirmative statements about no plans for net job reductions as detailed in our June 22<sup>nd</sup> letter.)

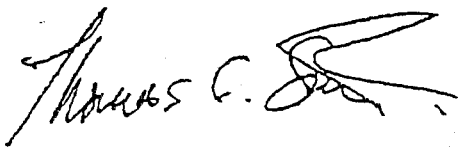
Headquarters Location and Operating Presence in Maryland and Virginia

I regret any misunderstanding about consideration given towards establishing the formal corporate headquarters of CareFirst/Trigon in Maryland. Subsequent conversations have convinced me that moving out of Virginia is not viable. Along the way, I seriously considered possible new sites (i.e. Northern Virginia), but concluded that it would be costly and cumbersome for many without real purpose (A Marylander would still see a Virginia postmark). While open to further discussion, I have concluded that having our corporate headquarters in Richmond is the best alternative. You should not conclude however, that Maryland would take a back seat to Virginia. As to senior executive positions, I have outlined the Executive Management Committee function above. As we pick the best person for each job, I hope we can minimize relocation and have professionals work where they reside. We will all become commuters to a degree.

Personally, I expect to spend 2 to 3 days a week in an existing CareFirst facility. I expect that I will establish a second residence near your existing executive offices and have an office next to you (I'd like a big cherry desk in an office with a window facing east - the rising sun wakes me when I fall asleep at the office; blue carpet, of course; a big potted plant and a hanger for my suit jacket. P.S. Given the difference on our heights, I am ok with my desk being a little smaller than yours). You should obviously plan to get to know the Trigon facilities, as well. Let me know your office specs if you'd like one in Richmond.

I look forward to getting together. I know these issues are foremost on your mind and I want to address them head on. I also want to discuss your views on the best strategy for attaining regulatory clearance of any transaction. The bottom line, however, is this: CareFirst and Trigon belong together; the combination can be effected; you and I must get comfortable that we are the right partners for each other. A foundation of trust and friendship between you and me is probably the most important deal term of all. Its hard to put that in a definitive agreement. Let's meet and take our best shot at working this all out to our mutual advantage.

Sincerely,



OCC 009152